

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AGRE-00 EB-07 COME-00 TRSE-00 OMB-01
IO-13 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03 NSAE-00
NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05 /081 W
----- 023662 /13

R 160650Z DEC 76
FM AMEMBASSY BANGKOK
TO AMCONSUL CHIANG MAI
AMCONSUL UDORN
AMEMBASSY VIENTIANE
INFO SECSTATE WASHDC 7261

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E.O. 11652: N/A
TAGS: EPAP, ETRD, TH, LA
SUBJECT: RTG AUTHORIZES SALE OF RICE TO LAOS

REF: VIENTIANE 2671 (NOTAL)

1. ACCORDING TO SOURCES IN THE MINISTRY OF COMMERCE AND THE
COMMERCIAL GRAIN TRADE, THE RTG HAS GIVEN AUTHORITY FOR PURCHASE
OF 50,000 METRIC TONS OF PADDY BY LAOS. THE LAO GOVERNMENT HAS
ENGAGED AN AGENT TO PURCHASE THE GRAIN IN NORTHEAST THAILAND FOR
SHIPMENT TO LAOS. PRICE OF PADDY IS CURRENTLY ABOUT \$155 A TON,
SO SALE, EXPECTED TO BE SPREAD OVER NEXT FOUR TO FIVE MONTHS,
WILL AMOUNT TO ABOUT 5.75 MILLION DOLLARS.

2. PADDY WILL BE OF THE GLUTINOUS RICE VARIETY, THE TYPE
FAVORED BY LAOS AND NORTHEAST THAILAND. THAILAND WOULD HAVE
PREFERRED TO SELL MILLED RICE AND ALSO TO HAVE THE GOVERNMENT
WAREHOUSE ORGANIZATION HANDLE THE TRANSACTION, RATHER THAN AN
AGENT, BUT DECIDED THAT SALE WAS ADVANTAGEOUS TO THEM IN VIEW
OF LARGE STOCKS OF GLUTINOUS RICE ON HAND (ABOUT TWICE
THE LEVELS OF A YEAR AGO). LAOS DESIRES PADDY RATHER THAN
MILLED RICE SINCE THEY ALSO HAVE USE FOR THE BRAN AND HAVE
UNUSED MILL CAPACITY BECAUSE OF SHORTFALL IN LAO RICE
PRODUCTION (REFTEL).

3. FTG HAS NOT YET ANNOUNCED THE DEAL BUT HAS PREPARED
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THE WAY BY RELEASING INFORMATION EMPHASIZING HIGH INVEN-

TORIES OF GLUTINOUS RICE IN THAILAND.

4. FOR VIENTIANE: EMBASSY WOULD APPRECIATE ANY ESTIMATE ON HOW FAR SUCH PURCHASES WOULD GO TOWARD MEETING SHORTFALL MENTIONED IN REFTEL.

5. FOR UDORN AND CHIANG MAI: LAOS CHIEF EARNER OF LEGAL BAHT IN THE PAST HAS BEEN WOOD AND WOOD PRODUCTS, MOSTLY LOGS. ACCORDING TO THAI CUSTOMS FIGURES THESE AMOUNTED TO 87 PERCENT OF LAOS EXPORTS TO THAILAND IN 1974, THE LAST YEAR OF NORMAL TRADE. INCOMPLETE DATA FOR 1976 INDICATES THAT LOGS MAKE UP ABOUT THE SAME PERCENTAGE CURRENTLY. EMBASSY WOULD BE INTERESTED IN ANY INFORMED ESTIMATES ON THE COMPOSITION AND VOLUME OF GOODS COMING INTO THAILAND, BOTH LEGAL AND SMUGGLED.

6. COMMENT: PROSPECTIVE DEAL MAKES GOOD ECONOMIC SENSE FOR BOTH COUNTRIES; LAOS NEEDS TO BUY RICE AND THAILAND NEEDS TO SELL IT. HOPEFULLY, EXPANSION OF ESSENTIAL TRADE BETWEEN THE TWO COUNTRIES WILL ENHANCE THE POSSIBILITIES FOR A LESSENING OF TENSION.
WHITEHOUSE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: RICE, SALES, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 16 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: vogelfj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BANGKO33879
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760462-1220
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761235/aaaabdpj.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 VIENTIANE 2671
Review Action: RELEASED, APPROVED
Review Authority: vogelfj
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUN 2004 by ifshinsr>; APPROVED <23 SEP 2004 by vogelfj>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RTG AUTHORIZES SALE OF RICE TO LAOS
TAGS: EPAP, ETRD, TH, LA
To: CHIANG MAI UDORN
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006